2012 RTP Financial Forecasting

Plans & Programs Technical Advisory Committee
December 7, 2010

SOUTHERN CALIFORNIA
ASSOCIATION of GOVERNMENTS

Today, we would like to discuss briefly…

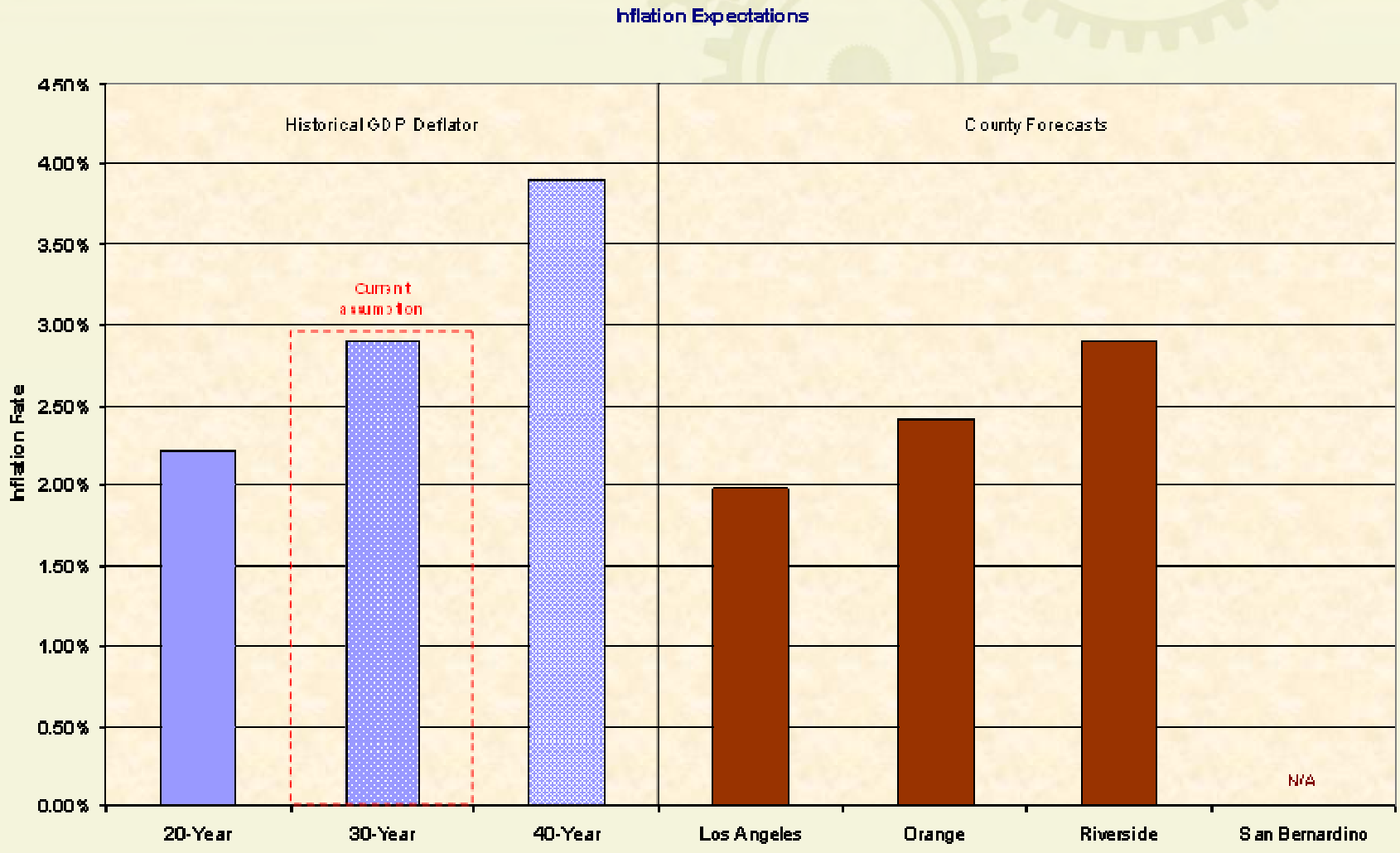
- A basic revenue forecast
- Observations about forecasts received
- Further refinements and Monte Carlo simulation

Since our last meeting, we have prepared a basic forecast (work in progress)

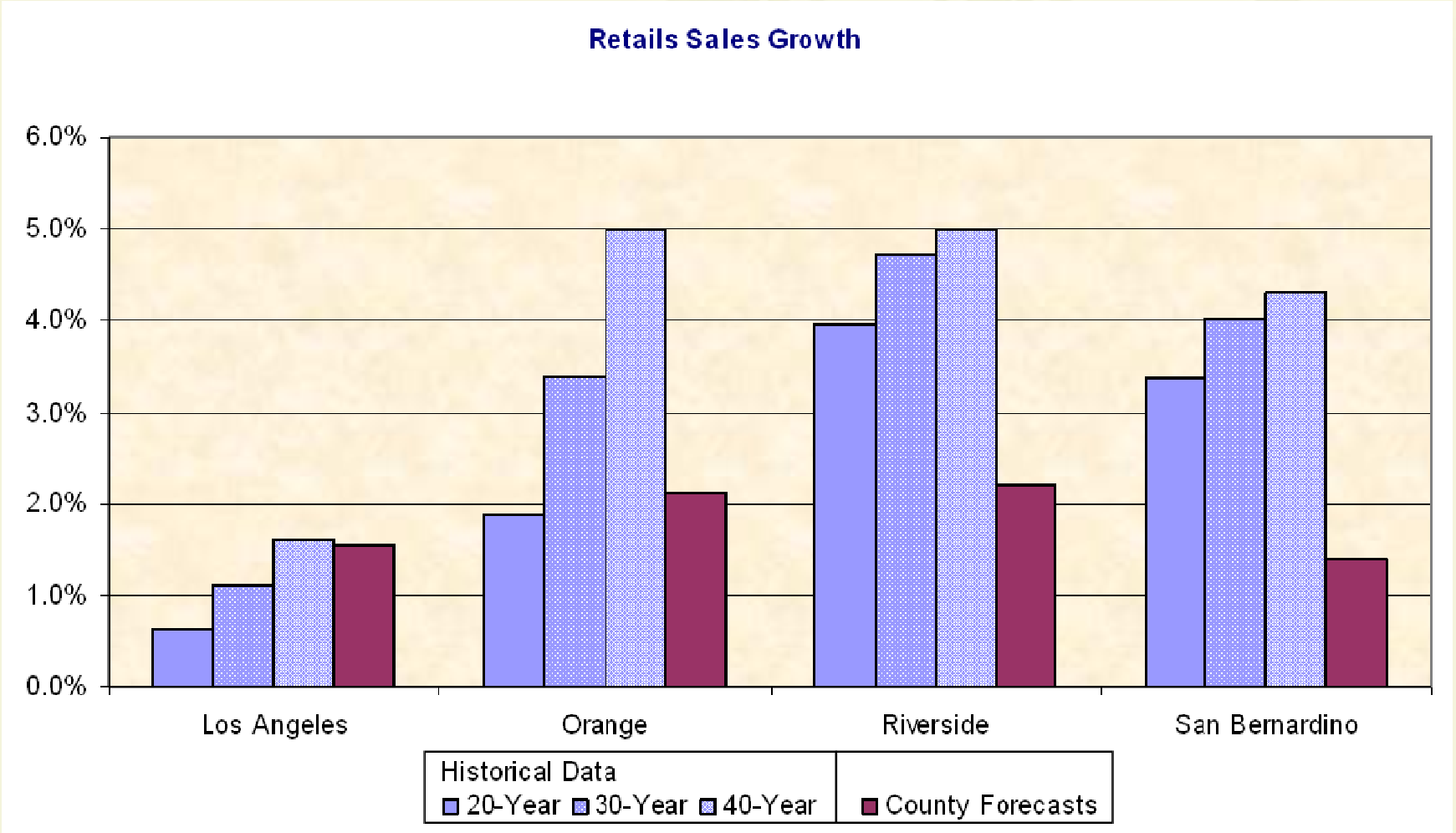
- **Matched data submitted by county transportation commissions (particularly sales tax)**
  - LACMTA 2010 Long Range Transportation Plan, April 29, 2010
  - OCTA 2010 LRTP Forecast for SCAG, August 25, 2010
  - RCTC 2010 Measure A Forecast for SCAG
  - SANBAG Measure I Sales Tax Revenue: FY 2011 to FY 2040, September 2010
  - SCRRA Strategic Assessment, July 2008 update
- **Used assumptions similar to last forecast**
  - Sales tax revenues grow as projected by county transportation commissions
  - Fuel consumption (and STIP and SHOPP) grows by 1% (consistent with county forecasts)
  - Federal expenditures grow with inflation (CMAQ cut by 50% in 2020)
  - Transit farebox grows at historical average over inflation (2.7% region, 1.6% LACMTA, below average OCTA)
  - Toll revenues grow by 1.5% over inflation

We began by reviewing the data available from the county transportation commissions

The county forecasts have different inflation outlooks, but generally less than long-term historical averages

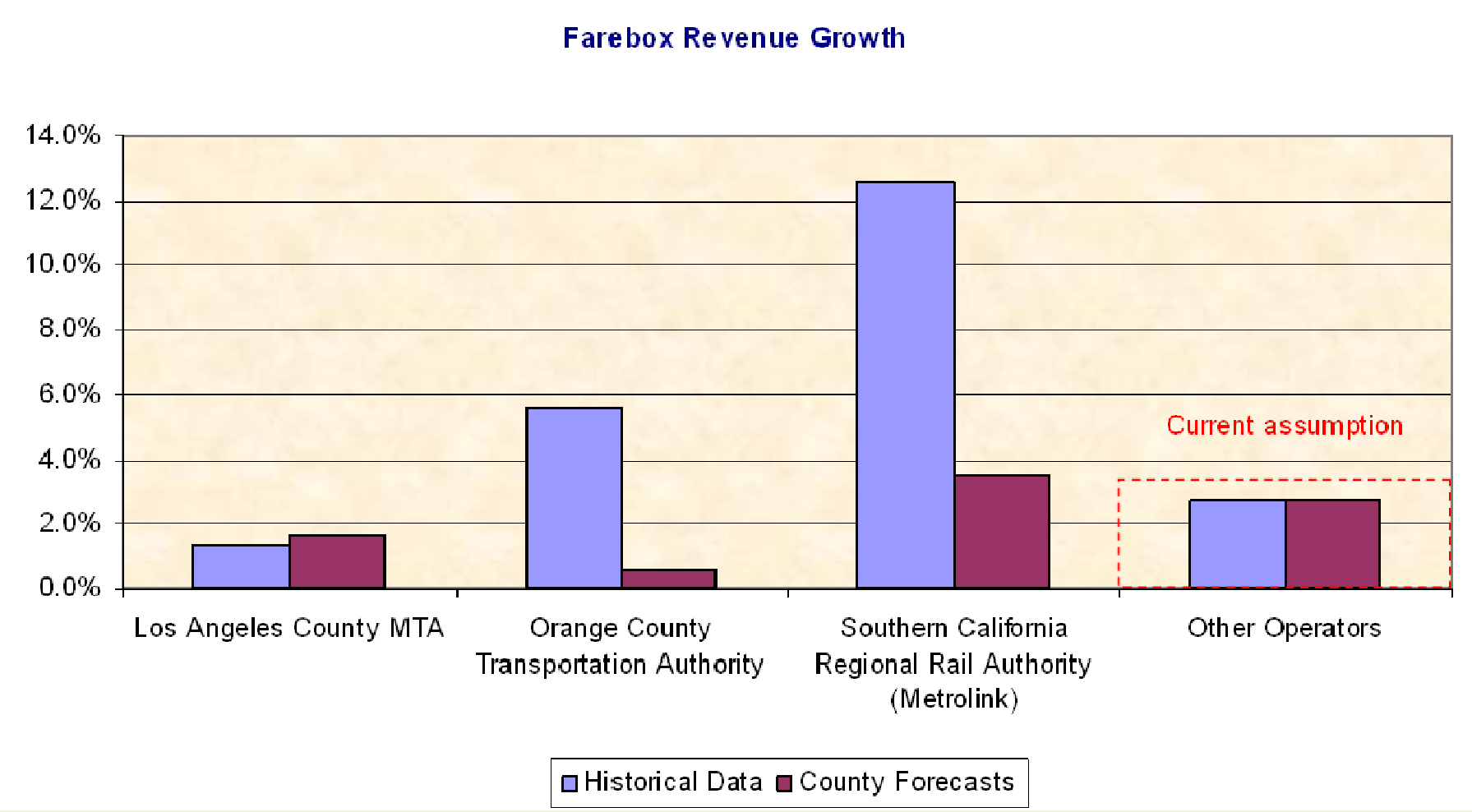


Expectations of future retail sales also vary



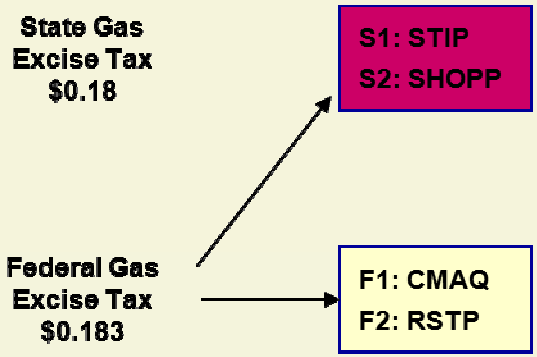
The county forecasts assume that the percent growth declines over time

OCTA and Metrolink are expecting slower farebox revenue growth for transit



This could be due to slower system expansion

Although state and federal funding depend on flat fuel excise taxes, different assumptions are being used

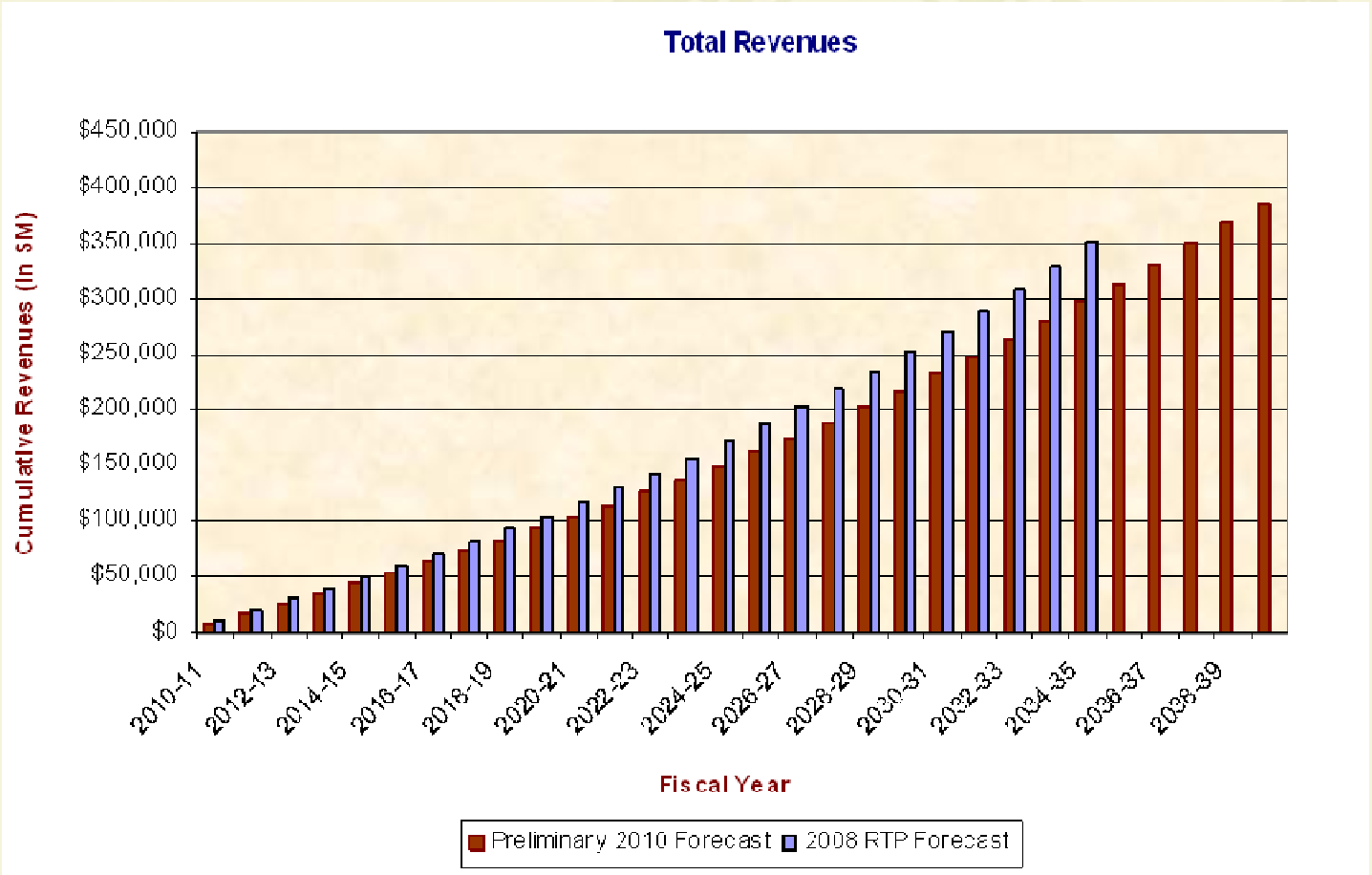


Other considerations:

SB375 impact on VMT
CAFE standards

- **STIP**
  - LACMTA: constant in nominal dollars
  - OCTA: 1% growth in nominal dollars
  - Current assumption: fuel consumption
- **SHOPP**
  - LACMTA: slight growth in nominal dollars
  - OCTA: 3% growth in nominal dollars
  - Current assumption: fuel consumption
- **RSTP**
  - LACMTA: grows by less than inflation (1.3%)
  - OCTA: grows by less than inflation (1.8%)
  - Current assumption: constant in constant dollars
- **CMAQ**
  - LACMTA: declines with attainment
  - OCTA: grows
  - Current assumption: constant in constant dollars (cut by 50% after 2020)

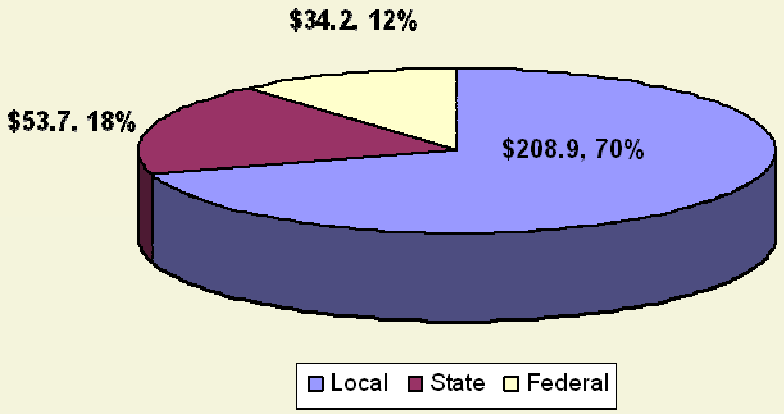
Our preliminary forecast shows a decline in revenues compared to the previous RTP of about 16 percent



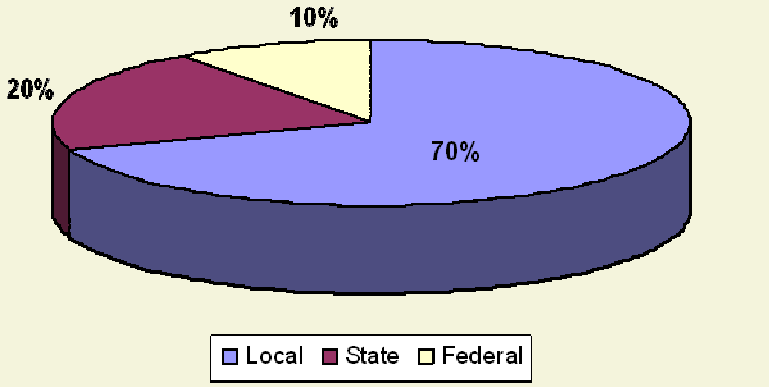
Remember: very preliminary estimates, but decline makes sense given current economy

The funding split is about the same

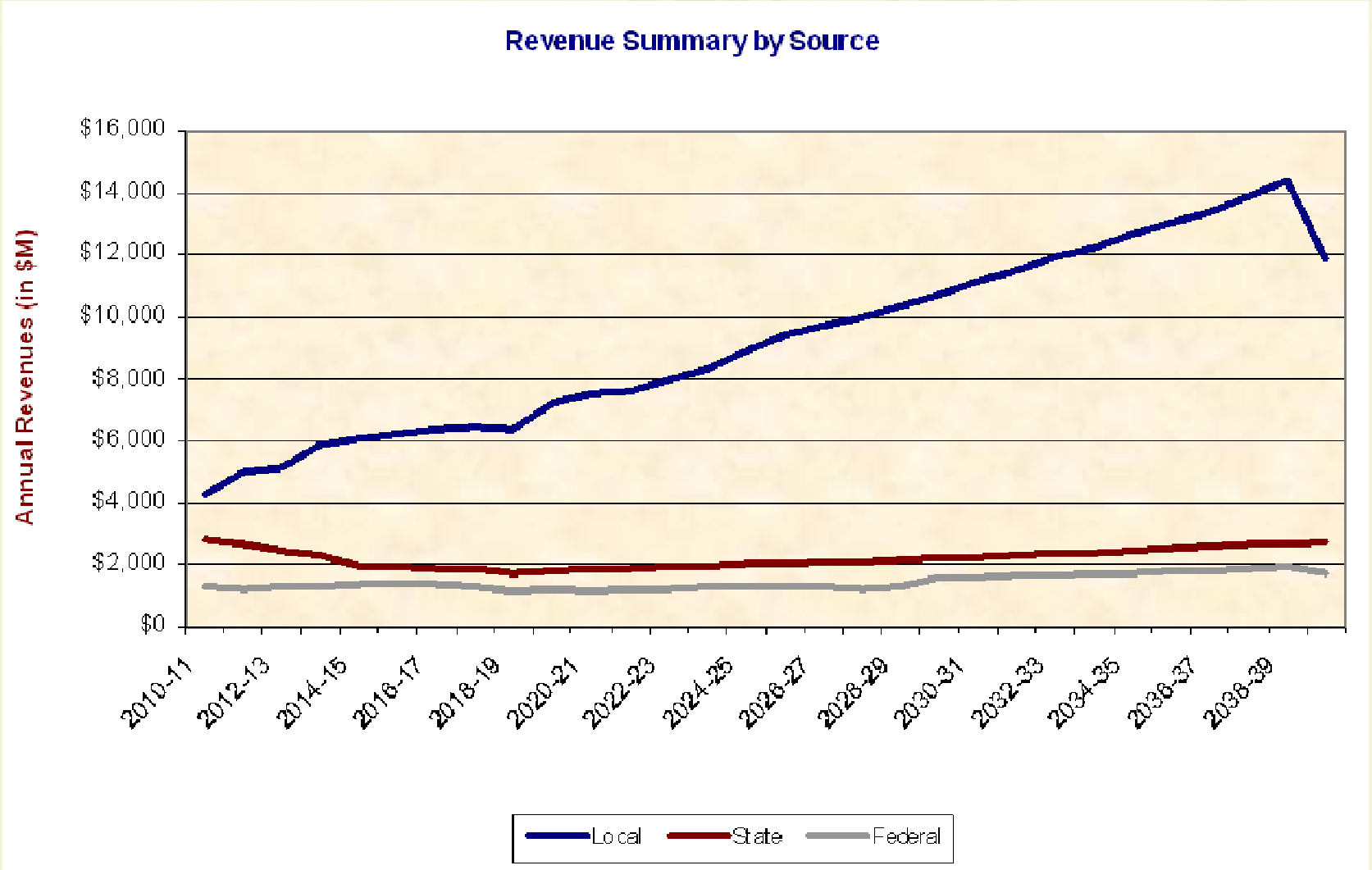
Preliminary 2010 Forecast (2010-35)



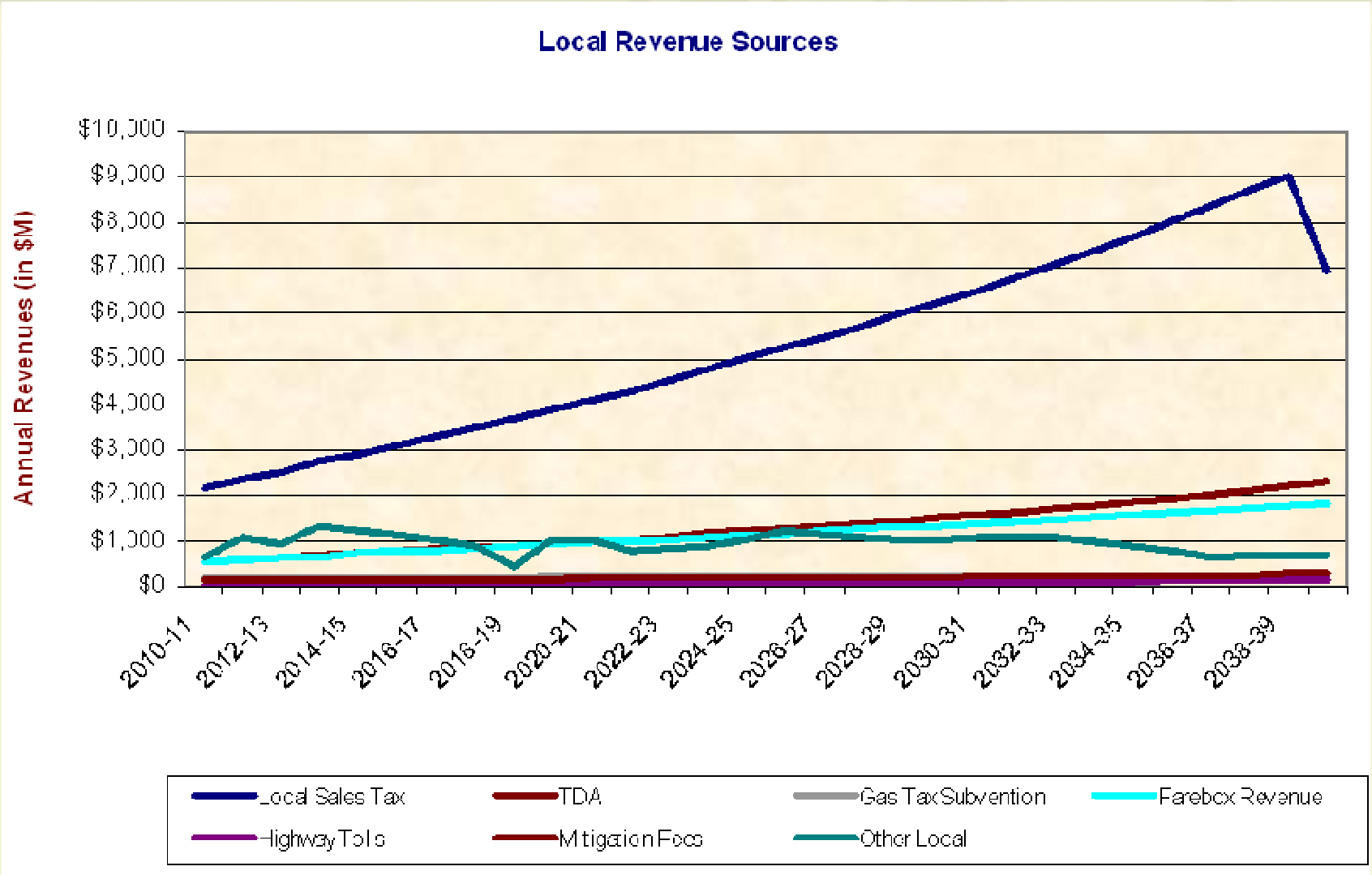
2008 RTP Forecast (2010-35)



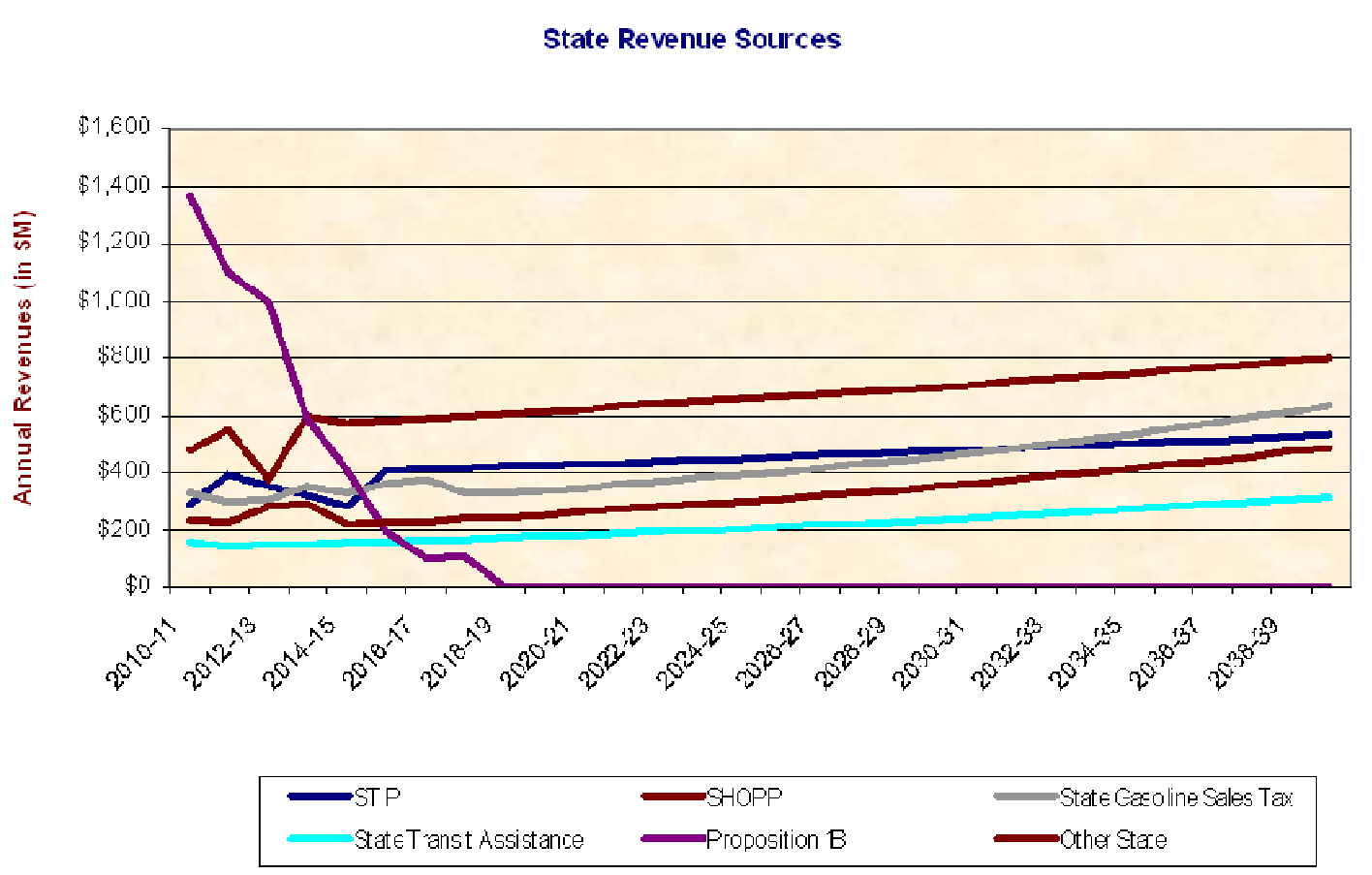
Without changes in federal and state funding, the local share will grow over time



Sales taxes continue to be the primary source of local funding

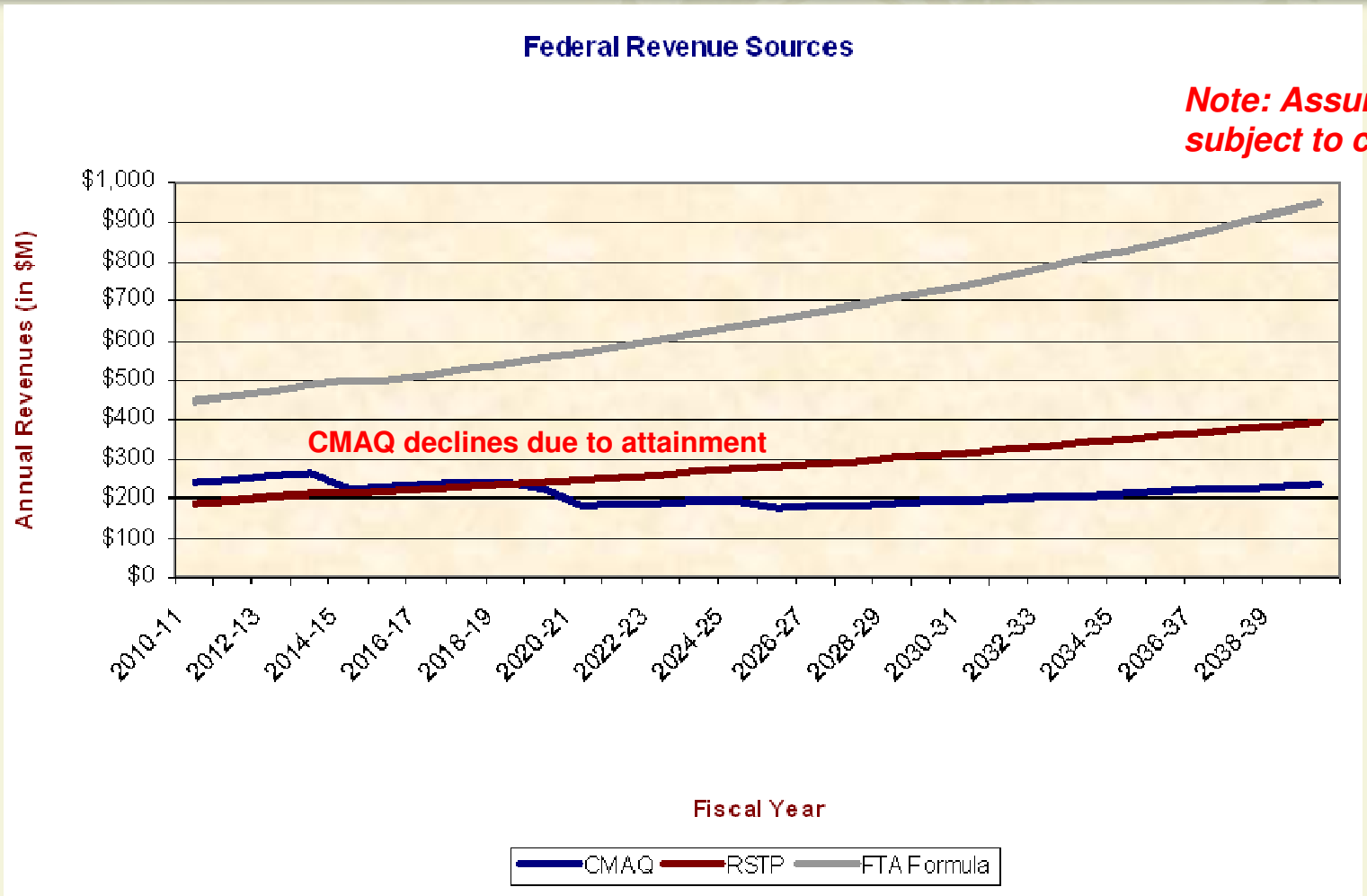


Proposition 1B funding is rapidly replaced by SHOPP and STIP funding as the primary category of State funding



The split between STIP and SHOPP depends on our assumptions about SHOPP needs

The two biggest federal sources (RSTP and FTA formula funding) are expected to grow at historical rates

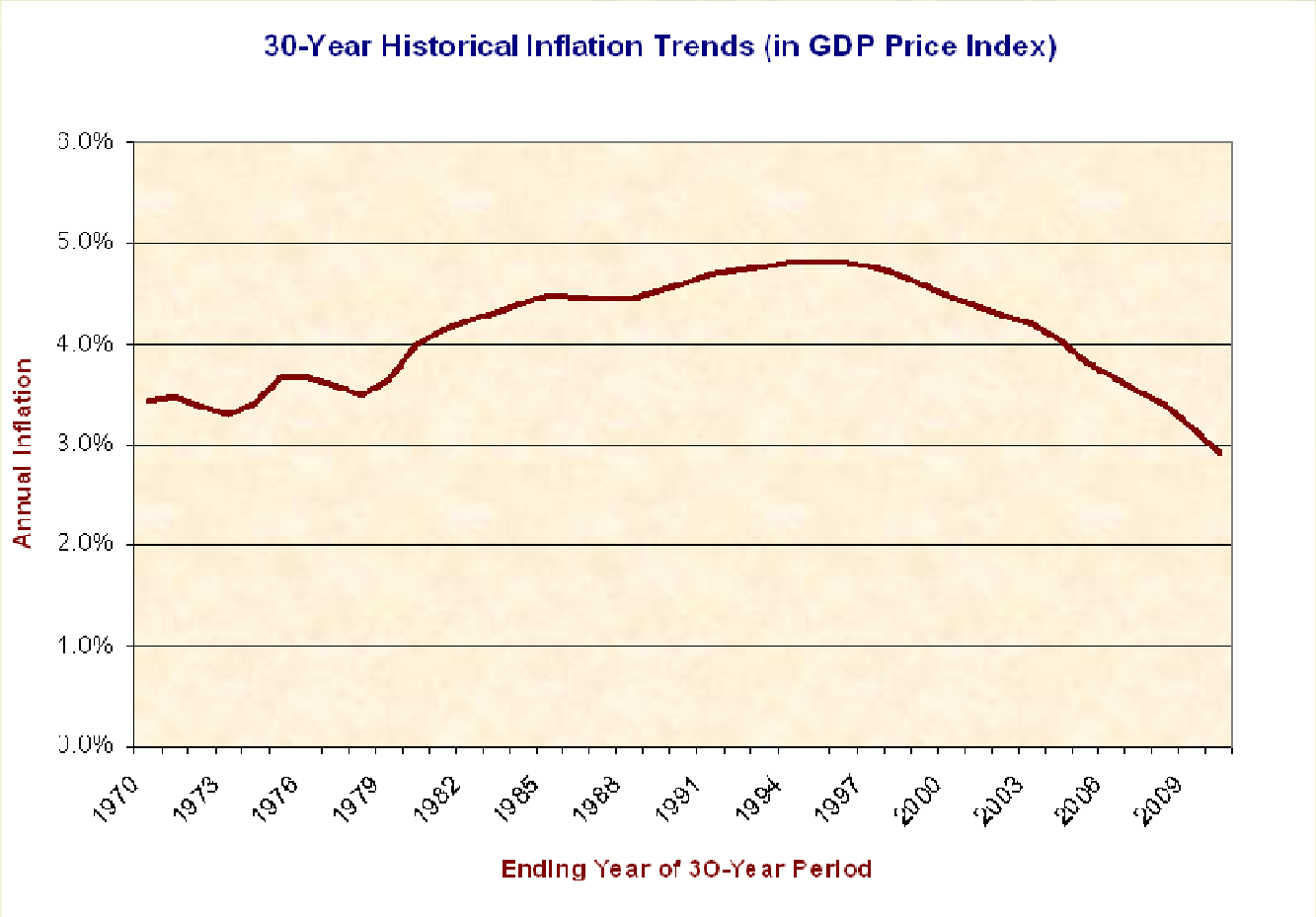


CMAQ funding depends on air quality goals and attainment

Further Enhancements to Be Made

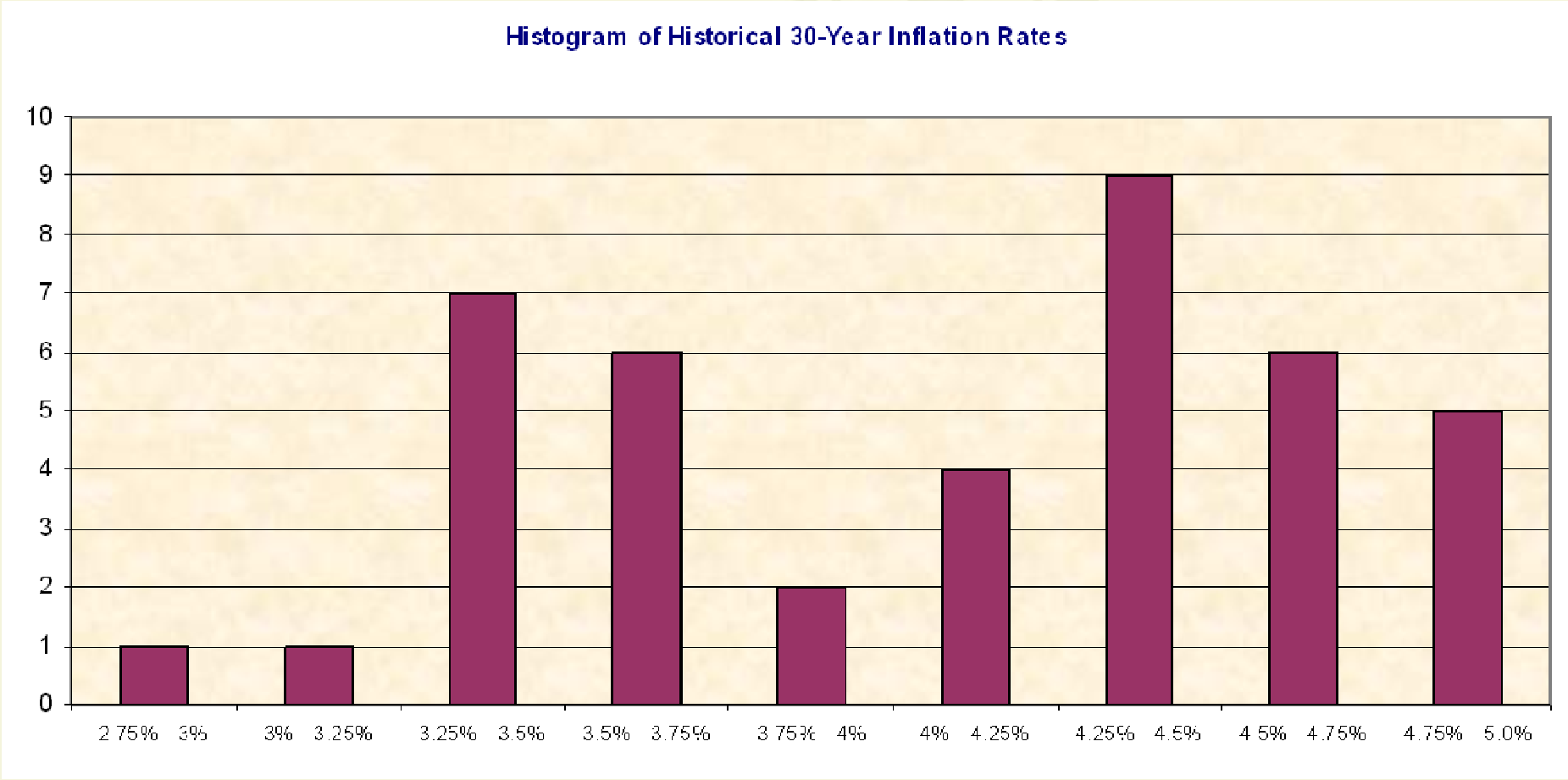
- Add current programming and recent data (retail sales, TDA, ARRA, Prop 1B, etc.)
- Include development/mitigation fee forecasts
- Refine SHOPP and CMAQ assumptions
- Prepare more detailed retail sales forecast (by population and age categories)
- Incorporate EMFAC 2010 fuel consumption data
  - Current and future
  - Available in December or January

The historical data varies depending on the time period chosen



For example, historical inflation rates are influenced by high rates in late-1970s/early-1980s and low rates recently

In Monte Carlo simulation, we can look at the distribution of historical data and test many values



Potential Variables to Test in Monte Carlo Simulation

- **Inflation**
  - **Basic (GDP deflator)**
  - **Construction costs (differential relative to GDP)**
- **Retail sales growth**
- **Farebox revenue growth**

What other ideas does the TAC have?

We need project cost data from the county transportation commissions

- Have created a database with project costs (verified through 2008 RTP Amendment 4)
- Will send commissions request to review database this month
- Commissions should complete initial reviews by end of January
- Commissions need to verify:
  - Project costs in today's (2010) dollars
  - Split by ROW and construction